
CREATIVE COMMONS

FINANCIAL STATEMENTS

December 31, 2002

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Creative Commons

Contents

| | |
|-----------------------------------|-----|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Cash Flows | 4 |
| Statement of Functional Expenses | 5 |
| Notes to the Financial Statements | 6-8 |

CROSBY & KANEDA

Certified Public Accountants

Dedicated to Nonprofit Organizations

Latham Square Building
1611 Telegraph Ave. Suite 318
Oakland, CA 94612-2151
Tel: 510 • 835 • CPAS (2727)
Fax: 510 • 835 • 5711
e-mail: info@ckcpa.biz

INDEPENDENT AUDITORS' REPORT

Board of Directors
Creative Commons
Palo Alto, California

We have audited the accompanying statement of financial position of Creative Commons (a nonprofit California corporation) as of December 31, 2002, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Crosby & Kaneda

Certified Public Accountants
Oakland, California
October 6, 2003

Creative Commons

Statement of Financial Position
December 31, 2002

Assets

Current Assets

| | |
|----------------------------|------------------|
| Cash and cash equivalents | \$ 525,415 |
| Grants receivable (Note 3) | 900,000 |
| Accounts receivable, net | 20,979 |
| Total current assets | <u>1,446,394</u> |

| | |
|--|--------------|
| Fixed assets, net of depreciation (Note 4) | <u>6,586</u> |
|--|--------------|

| | |
|--------------|---------------------|
| Total Assets | <u>\$ 1,452,980</u> |
|--------------|---------------------|

Liabilities and Net Assets

Current Liabilities

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 25,832 |
| Total current liabilities | <u>25,832</u> |

Net Assets

| | |
|---------------------------------|------------------|
| Unrestricted net assets | 527,148 |
| Temporarily restricted (Note 6) | 900,000 |
| Total Net Assets | <u>1,427,148</u> |

| | |
|----------------------------------|---------------------|
| Total Liabilities and Net Assets | <u>\$ 1,452,980</u> |
|----------------------------------|---------------------|

See Notes to the Financial Statements

Creative Commons

Statement of Activities Year Ended December 31, 2002

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|---------------------|
| <u>Support and Revenue</u> | | | |
| Foundation grants | \$ 815,000 | \$ 1,200,000 | \$ 2,015,000 |
| Interest | 2,584 | | 2,584 |
| In-kind contributions | 227,904 | | 227,904 |
| Total Revenue | <u>1,045,488</u> | <u>1,200,000</u> | <u>2,245,488</u> |
| Net assets released from restrictions (Note 6) | <u>300,000</u> | <u>(300,000)</u> | <u>-</u> |
| Total Support and Revenue | <u>1,345,488</u> | <u>900,000</u> | <u>2,245,488</u> |
| <u>Expenses</u> | | | |
| Program | 750,678 | | 750,678 |
| General and administration | 55,461 | | 55,461 |
| Fundraising | 14,654 | | 14,654 |
| Total Expenses | <u>820,793</u> | <u>-</u> | <u>820,793</u> |
| Change in net assets | <u>524,695</u> | <u>900,000</u> | <u>1,424,695</u> |
| Net Assets, beginning of year | <u>2,453</u> | <u>-</u> | <u>2,453</u> |
| Net Assets, end of year | <u>\$ 527,148</u> | <u>\$ 900,000</u> | <u>\$ 1,427,148</u> |

See Notes to the Financial Statements

Creative Commons

Statement of Cash Flows
Year Ended December 31, 2002

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Increase in net assets | \$ 1,424,695 |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | |
| Depreciation | 1,808 |
| (Increase) decrease in operating assets | |
| Grants receivable | (900,000) |
| Accounts receivable | (20,979) |
| Increase (decrease) in operating liabilities | |
| Accounts payable and accrued expenses | 25,832 |
| Net cash provided by operating activities | <u>531,356</u> |
| Cash flows from investing activities | |
| Purchase of fixed assets | <u>(5,941)</u> |
| Net cash used by financing activities | <u>(5,941)</u> |
| Net change in cash and cash equivalents | <u>525,415</u> |
| Cash and cash equivalents, beginning of year | <u>-</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 525,415</u></u> |

See Notes to the Financial Statements

Creative Commons

Statement of Functional Expenses Year Ended December 31, 2002

| | Program | General and Administration | Fundraising | Total |
|---------------------------------|-------------------|-------------------------------|------------------|-------------------|
| Salaries | \$ 117,996 | \$ 22,123 | \$ 7,375 | \$ 147,494 |
| Payroll taxes | 9,762 | 1,830 | 610 | 12,202 |
| Employee benefits | 1,570 | 294 | 98 | 1,962 |
| | <u>129,328</u> | <u>24,247</u> | <u>8,083</u> | <u>161,658</u> |
| Consulting and design | 140,055 | 11,633 | | 151,688 |
| Accounting fees | | 2,873 | | 2,873 |
| Legal fees | 227,904 | 2,844 | | 230,748 |
| Equipment | 2,380 | 446 | 149 | 2,975 |
| Occupancy | 4,800 | 900 | 300 | 6,000 |
| Travel and conferences | 32,457 | 6,086 | 2,029 | 40,572 |
| Supplies | 4,719 | 885 | 295 | 5,899 |
| Depreciation | 1,446 | 271 | 91 | 1,808 |
| Insurance | 21,808 | 4,089 | 1,363 | 27,260 |
| Telephone | 6,328 | 1,187 | 396 | 7,911 |
| Website development and hosting | 179,453 | | | 179,453 |
| Other | | | 1,948 | 1,948 |
| | <u>\$ 750,678</u> | <u>\$ 55,461</u> | <u>\$ 14,654</u> | <u>\$ 820,793</u> |

See Notes to the Financial Statements

CREATIVE COMMONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1: NATURE OF ACTIVITIES

Creative Commons (the Organization) is a California nonprofit public benefit corporation devoted to expanding the range of creative work available for others to build upon and share.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d).

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CREATIVE COMMONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: GRANTS RECEIVABLE

Contributions receivable consist of a single multi-year grant.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2002 consist of the following:

| | |
|-------------------------------|-----------------|
| Computers | \$ 8,394 |
| Less accumulated depreciation | <u>(1,808)</u> |
| Total | <u>\$ 6,586</u> |

NOTE 5: CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Revenue and Receivables

During the year ended December 31, 2002, the Organization received 60% of its income from a single donor. Total grants receivable at December 31, 2002 were from the aforementioned source.

CREATIVE COMMONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the two years ending December 31, 2004.

Temporarily restricted net assets were released from donor restriction over the passage of time.